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# U.S. Cooperation with Pakistan

November 12, 1981



United States Department of State  
Bureau of Public Affairs  
Washington, D.C.

*Following are statements by James L. Buckley, Under Secretary of State for Security Assistance, Science and Technology, and M. Peter McPherson, Administrator of the Agency for International Development, before the Senate Foreign Relations Committee, November 12, 1981.*

## Mr. Buckley

I welcome this opportunity to testify before your committee on our policy and assistance proposals for Pakistan. In this statement, I will outline in broad terms our policy and our military assistance proposals, including the sale of F-16 aircraft. Mr. McPherson will discuss our proposed economic assistance.

For FY 1982 the Administration has proposed \$100 million in economic support funds and \$600,000 in the international military education and training program (IMET), as well as \$50 million in PL 480 (Food for Peace). Our proposals for FY 1982 are largely limited to economic assistance because Pakistan felt the need for a great deal of caution in approaching a new security relationship with the United States. The final decision to move forward with this program was not made until well after our budgetary requests for the current fiscal year had been submitted. I might point out that assistance proposed for

Pakistan did not result in an increase in FY 1982 budget outlays because the \$100 million was shifted to the foreign affairs account from the national defense account. We are pleased that the Senate Appropriations Committee has specifically approved this assistance in the foreign assistance appropriations bill.

With the Soviet invasion of Afghanistan, Pakistan has found itself thrust into the unwelcome status of a front-line state subject to all the hazards that have been the common experience of other countries which find themselves in the same neighborhood with the Soviet Union or its proxies. Pakistan had the option of succumbing to pressures to accept the status quo or resisting them. Pakistan elected to condemn the occupation of Afghanistan, and has accepted our help in bolstering its defenses even though this could increase the near-term threat of retaliation.

Given these potential risks and the rocky history of the past relationship between our two countries, the Pakistan government wanted to satisfy itself as to the existence of a public consensus in support of the arms sale and economic support package which we proposed. This it did through a series of well-publicized and widely reported hearings and debates in which the advantages and risks of a new relationship with the United States were fully explored. In the meantime, over a period of several

# Pakistan—A Profile

## Geography

**Area:** 310,527 sq. mi., excluding Jammu and Kashmir which are in dispute with India (about the size of California). **Capital:** Islamabad (pop. 250,000—1972 census). **Other Cities:** Karachi (3.5 million), Lahore (2.1 million).

## People

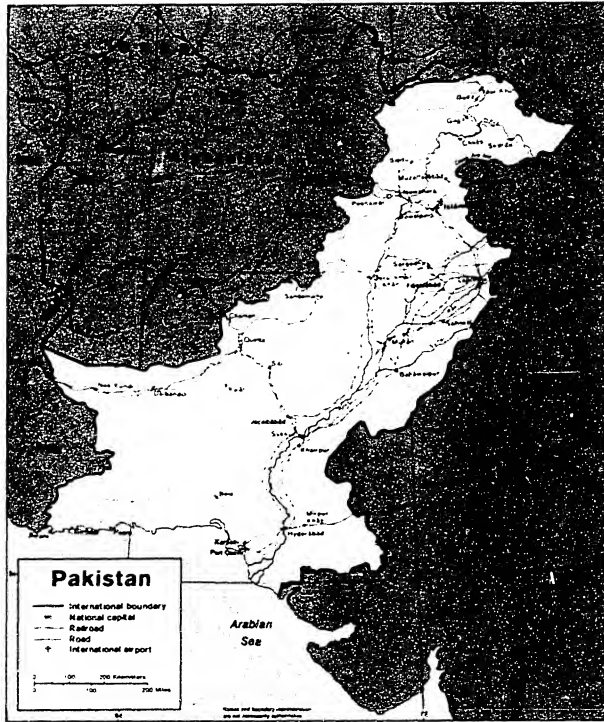
**Population:** 81.5 million (1980). **Annual Growth Rate:** About 3% (1980). **Ethnic Groups:** Punjabi, Sindhi, Pushtun (Pathan), Baluchi. **Religions:** Muslim (97%), small minorities of Christians, Hindus, and others. **Languages:** Urdu (official), English, Punjabi, Sindhi, Pushtu, Baluchi. **Literacy:** 24%. **Life Expectancy:** 51 yrs.

## Government

**Official Name:** Islamic Republic of Pakistan. **Type:** Martial law regime established in 1977. **Independence:** Aug. 14, 1947. **Branches:** **Executive**—Chief Martial Law Administrator (President), Cabinet. **Legislative**—63-member Senate and 200-member National Assembly. **Judicial**—Military courts, provincial high courts, Supreme Court. **Political Parties:** Suspended in 1977 following the imposition of martial law. Some political activity was subsequently allowed. In Oct. 1979, general elections scheduled for Nov. were postponed and political party activity was banned. **Suffrage:** Universal over age 18. **Political Subdivisions:** 4 Provinces, tribal areas, federal capital.

## Economy

**GNP (1980):** \$23 billion. **Annual Growth Rate (1978-80):** 6.4%. **Per Capita Income:** \$280. **Per Capita Growth Rate (1978-80):** 4%. **Natural Resources:** Land, extensive natural gas, limited petroleum, poor quality coal, iron ore. **Agriculture:** Wheat, cotton, rice. **Industries:** Cotton textiles, food processing, tobacco, engineering, chemicals, natural gas. **Trade (FY 1980):** **Exports**—\$2.3 billion: rice, raw cotton, yarn, textiles, light manufactured products. **Partners**—Far East (30%), EC (20%), Middle East (25%), U.S. (6%). **Imports**—\$4.8 billion: capital goods, raw materials, crude oil, consumer items. **Partners**—Far East (28%), EC (25%), Middle East (25%), U.S. (8%). **Official Exchange**



**Rate:** 9.9 rupees = US\$1.00. **Economic Aid Received:** *Total*—\$27.4 billion (1946-79). *U.S. only*—\$4.9 billion (1946-79).

## Principal Government Officials

**Pakistan:** President and Chief Martial Law Administrator—Mohammed Zia-ul-Haq; Minister of Foreign Affairs—Agha Shahi.

## Membership in International Organizations

U.N., ADB, IDA, International Court of Justice, Islamic Conference Organization, INTELSAT, Colon-to Pact, FAO, GATT, G-77, IAEA, IBRD, ICAD, IFC, IHO, ILO, IMCO, IMF, ITU, IWC, UNESCO, UPU, WHO, WMO, WSG, WTO, nonaligned movement.

months, representatives of our two governments engaged in frequent, intensive, and highly fruitful discussions focused on a common concern over Soviet expansionism and its implications for regional security.

Through its refusal, in the face of Soviet pressures, to accept the legitimacy of the puppet regime in Kabul, Pakistan has demonstrated an admirable willingness to stand by principle and assume the considerable risks of Soviet displeasure. But the Pakistanis have taken an even more decisive step. The joint statement released following my visit to Islamabad last June represented a courageous decision on their part to embark on a qualitatively new relationship with the United States which involved the risk of increased Soviet hostility and pressure, including military attack by proxy forces. This action signaled a new confidence which Pakistan places in the reliability of the United States and the willingness of the Congress and the American people to defend their national interests abroad by offering support to nations willing to assume the risk of their own defense.

Our relationship is based on the principle of sovereign equality. The United States has expressly recognized Pakistan's nonaligned status and the respected position it occupies in the Islamic community of nations. As had the previous Administration, we have reaffirmed the validity of the 1959 bilateral agreement, and Pakistan has expressed its satisfaction with the commitment conveyed therein. We have made no additional commitments beyond those relating to the programs we are discussing here today. We have one overriding purpose, and that is to work together to create a stronger, more self-reliant Pakistan as it confronts Soviet power in neighboring Afghanistan.

I cannot over-emphasize the importance which we attach to this new relationship. Pakistan's strategic location athwart the sea lanes to the Persian Gulf has taken on added importance with the advance of Soviet forces through Afghanistan to its very borders.

A strong, stable, and independent Pakistan is an essential anchor of the entire southwest Asian region. The 430,000-man Pakistan Army is a highly professional force. Properly equipped, it has the discipline and the will to protect Pakistan's independence and territorial integrity. Unfortunately, it no longer possesses the weapons required for a credible defense against the kind of

equipment which the Soviets have deployed and can be expected to maintain in Afghanistan. Thus, despite the quality of its personnel, Pakistan's military forces are not equipped to defend their critical portion of the approaches to the Persian Gulf.

In assessing Pakistan's needs we have given equal weight to economic as well as military considerations. With the cooperation of the Congress, we propose to address both the economic sources of national strength and Pakistan's direct requirements for a credible military deterrent. The multiyear aspect of our undertaking underscores the comprehensive and long-term view we take of Pakistan security requirements, as well as the firm intention of the United States to prove itself a reliable and consistent partner.

In addition to our immediate request for an appropriation of \$100 million in economic support funds, \$600,000 in IMET, and \$50 million in PL 480 for FY 1982, beginning next year we will seek a series of annual appropriations in support of a 5-year program which would total about \$3 billion. This would be divided approximately equally between economic assistance and foreign military sales credit guarantees. Mr. McPherson will provide details on the economic program.

Given the immediacy of the threats with which it must live, Pakistan's vital military modernization program cannot wait until October 1982 when our first foreign military sales (FMS) credits would become available. Pakistan is today under direct military and diplomatic pressure to accommodate to Soviet designs in the region. We have therefore agreed to sell Pakistan a range of urgently required military equipment for which orders must be placed in the immediate future. Items to be delivered in the near future will be paid for in cash. Formal notification of the sale of 40 F-16s has already been submitted to the Congress as have informal notifications for the sale of howitzers, TOW missiles, tanks, and helicopters.

Our proposed military assistance has two objectives: to give Pakistan the ability to handle, with its own resources, incursions and limited cross-border threats from Soviet-backed Afghan forces and to keep the Soviets from thinking they can coerce or subvert Pakistan with impunity. We fully recognize that, even with our proposed assistance, Pakistan cannot acquire an independent capability to confront the full wave of a direct and massive Soviet attack. Our intention is to raise the cost of potential aggression and to demonstrate that a strong security relationship exists between the United States and Pakistan which the Soviet Union must take into account in its calculations.

Of the 40 F-16 aircraft, the first six will be delivered no later than 12 months from the signing of a letter of offer and acceptance. The remaining 34 aircraft would be delivered on the basis of about five per quarter, beginning 27 months following signing of the letter of acceptance.

We have reached agreement with the European group which coproduces F-16s whereby it will provide the U.S. Air Force with six aircraft that are surplus to current European needs, thus freeing six U.S. F-16s for transfer to Pakistan. As indicated in the formal notification to Congress of the F-16 sale, "No impact of substance on U.S. defense readiness is anticipated as a result of this sale. Full logistical support, however, will not be delivered with the first six aircraft and U.S. Air Force assets may be required for support and training during the initial part of this program." The additional 34 aircraft will come from normal production facilities of the prime contractors and will not adversely affect U.S. capabilities.

Pakistan has assured us that it has the necessary resources to meet the FY 1982 costs of the F-16 program as well as for other army items which it needs on an urgent basis. In subsequent years, costs for the overall program including the F-16s will be met by our proposed guaranteed loans, supplemented by cash. Pakistan has had discussions with Saudi Arabia concerning financial assistance on the F-16s and other arms purchases. As this is essentially a bilateral matter between these two countries, I am not prepared to go into details. I understand, however, that Saudi Arabia will make funds available to Pakistan for this purpose.

Questions have been raised about Pakistan's need for F-16 aircraft as opposed to a less expensive and less sophisticated aircraft. Pakistan requires an aircraft which combines contemporary technology with an affordable cost in order to upgrade its existing capabilities in the vital area of air defense. The 40 F-16s are admirably suited to serve as Pakistan's primary air defense aircraft. The aircraft can also provide close air support. Apart from a limited number of Mirage III and V aircraft from France, Pakistan's Air Force is composed largely of technologically obsolescent F-6 (MiG-19) day fighters obtained from China (last year, safety considerations required Pakistan to phase out its Korean war-vintage U.S. F-86 aircraft). These interceptors are supplemented by only a few batteries of short-range Crotale surface-to-air missiles which are of necessity used for the defense of airfields.

Given its need for a credible air defense capability to help deter or repel limited air attacks or incursions out of Afghanistan, Pakistan's request for two squadrons of high performance F-16s is fully justified. Its highly competent air and ground personnel can absorb the F-16 efficiently and effectively. Furthermore, Pakistan's limited financial resources compel it to purchase a proven aircraft which will serve its needs well into the 1990s. From a U.S. strategic and operational perspective, there is an obvious advantage in having Pakistan acquire and develop the ability to support an aircraft that will be widely deployed by the U.S. Air Force beyond this decade.

We share the concerns expressed in and out of the Congress about sales of expensive, high-technology military aircraft to many countries in the developing world. The Administration fully supports the sale of intermediate export fighters and we are actively encouraging friendly governments to consider this option. But we must face the fact that a friendly government, such as Pakistan, when confronted with a direct threat from the Soviet Union or a well-armed proxy, will make its own choices and buy the equipment it feels is needed for its defense. Pakistan recognizes that the aircraft it purchases now will probably have to serve as its air defense work horse for the foreseeable future, just as the F-86 served Pakistan's Air Force for about 20 years. With a current force of the Mirage and MiG-19, Pakistan requires an immediate air superiority fighter capability to face the Soviet MiG-23/25 threat.

Given the large number of MiG-25s and Jaguars that India now is expected to order, providing Pakistan with 40 F-16s, the last of which is not scheduled to be delivered until late 1985, will not significantly alter the four- or five-to-one advantage in advanced aircraft that India currently enjoys. If India purchases 150 Mirage 2000s, as recently reported, that advantage will be significantly increased.

We are very mindful of India's expressed concerns regarding our assistance proposals for Pakistan. It is our firm conclusion, however, that the projected military assistance levels and provision of the F-16s to Pakistan will not upset the overwhelming qualitative and quantitative superiority which India enjoys in the region. The U.S. program for Pakistan will not inject a new element of instability into the South Asian subcontinent. It is the Soviets, by their aggression in Afghanistan, who have brought new instability to the region and our program is designed to offset that instability. Nor will U.S. policies fuel an arms race in South Asia.

While we and India have different perceptions on several international issues including the implications of the Soviet aggression in Afghanistan, we wish to maintain mutually beneficial bilateral relations with the world's largest democratic nation. We have emphasized and will continue to emphasize that both countries have common objectives of stability and economic growth in the subcontinent and that our assistance to Pakistan not only is not a threat to India but does not indicate any lessening of U.S. interest in a constructive working relationship with India.

Finally, a word about the vitally important subject of nuclear proliferation. I should emphasize that this Administration is firmly committed to the long-standing goals of nonproliferation expressed in legislation and by previous Administrations. We believe deeply that the acquisition of nuclear explosives by non-nuclear-weapons states would be contrary to the clear national interests of the United States. We have taken this vital national interest directly into account in shaping our new relationship with Pakistan. The Pakistan Government can be in no doubt about our concerns on this issue and the serious consequences which would inevitably flow from a Pakistani nuclear explosion.

Our approach to this problem, however, is based on the recognition that a nation, such as Pakistan, may be motivated to move toward acquisition of a capability to build nuclear weapons because of a perceived threat to its national security, which it believes cannot be met by conventional military and political means available to it. As praiseworthy as the intentions of the Symington amendment\* may have been, it is clear that it has failed to stop Pakistan from pursuing the unguarded portions of its nuclear program. On the other hand, to the extent that it has kept us from helping that nation upgrade its conventional defenses, it may have added to the sense of insecurity that can only heighten pressures to achieve a capacity to develop nuclear weapons.

We believe that a program of support which provides Pakistan with a continuing relationship with a significant security partner and enhances its sense of security may help remove the principal underlying incentive for the acquisition of a nuclear weapons capability. With such a relationship in place, we are hopeful that we will be able, over time, to persuade Pakistan that the pursuit of a weapons capability is neither necessary to its security nor in its broader interest, as an important member of the world community. If we deny ourselves this relationship, however, we will forfeit the opportunity to influence future decisions. We are gratified that the U.S. Senate has taken action to modify the Symington amendment to permit assistance to Pakistan which we consider so vital.

#### Mr. McPherson

I welcome the opportunity to appear before the committee to present the Administration's proposal for an economic assistance program to Pakistan. Intensive consultations during the past 4 months both in Washington and in Islamabad have produced an outline of a proposed assistance package which is responsive to both the anticipated Pakistani needs and U.S. Government objectives during the next 6 years.

As a result of my recent trip to Pakistan, we reached agreement on the utilization of \$100 million in economic support funds which have been requested for FY 1982. I might add here that throughout these negotiations we made it clear that the figures and pro-

\*Section 669 of the Foreign Assistance Act.

grams were only tentative, since they were still subject to review and approval by the U.S. Congress.

In order to put our current proposal in proper perspective, a brief explanation of our historical economic relationship with Pakistan may be helpful. With the creation of Pakistan as a separate Muslim nation in 1947, early U.S. assistance focused on technical assistance and disaster relief. This focus changed over time to one emphasizing the basic infrastructure required to facilitate the continued growth of this young nation. More recently we focused our efforts on fundamental development problems such as increased industrial and agricultural production, improved public administration, expanded social services, and critical importation of raw materials and essential capital equipment. We suspended our economic assistance other than PL 480 in April 1979 in accordance with the provisions of the Symington amendment to the Foreign Assistance Act.

Nevertheless, the Pakistani people continue to believe that a close relationship exists between our two nations. With mounting external threats to the region and to Pakistan, there is a clear opportunity for us to make this historical relationship a more meaningful one. By helping Pakistan strengthen its economy, accelerate its development progress, and improve the equitable distribution of ensuing benefits, we will enable Pakistan to maintain its integrity as a nation and to stand fast against potential external threats.

Pakistan has experienced solid economic growth during the past 3 consecutive years with real growth averaging about 6% per year. Growth in the industrial sector during the past year was over 9% despite a comparatively poor performance in the textile subsector. Agricultural production was also strong with a growth of 4.3%, largely due to record sugar and wheat harvests.

The balance-of-payments situation, however, remains an area of major concern. The current account deficit for Pakistan's FY 1980/81 was over \$915 million although this was better than anticipated as a result of restrained imports, sustained growth in remittances from workers abroad, and continued ex-

# **Proposed Economic Assistance Program for Pakistan**

(in millions of \$U S)

Proposed Use	FY 1982	FY 1982-87
Agricultural inputs	60	300
Fertilizer	50	250
Agricultural machinery	10	50
Agricultural production, distribution, and storage	0	100
Farm-to-market roads	0	50
Energy development	5	200
Water management	15	100
On-farm water management	7	10
Irrigation canal rehabilitation. Anti-waterlogging and salinity programs	8	90
Agricultural education, research, and extension	0	50
Population and health	10	75
Population and rural health	6	
Malaria program	4	
Private sector mobilization fund	0	50
Baluchistan project fund	0	30
Tribal areas project fund	5	15
General training	1	5
Project design fund	4	10
Project reserve	0	340
<b>Subtotal</b>	<b>100</b>	<b>1,325</b>
PL 480 Title III/II	<u>50</u>	<u>300</u>
<b>Total</b>	<b>150</b>	<b>1,625</b>

port growth principally in agricultural products. Ultimately, Pakistan was able to cope with the short-term balance-of-payments pressure following the successful negotiation of a 3-year \$1.7 billion Extended Fund Facility agreement with the International Monetary Fund (IMF) and a short-term debt rescheduling arrangement with the bilateral creditors in the Pakistan Donor Consortium.

The balance-of-payments situation in Pakistan's FY 1981/82 is expected to worsen with the current account deficit increasing by \$450 million to a level of \$1.4 billion and the overall basic deficit expanding by \$330 million to a level of

\$350 million. The major factors in this growing deficit are the expansion of imports by about \$900 million, as a result of import liberalization policies, and slower expansion of exports, by about \$400 million to a level of \$3.2 billion. While workers' remittances are projected to keep pace with inflation and reach a level of \$2.3 billion, this will not offset the rapid import growth. Pakistan must continue, therefore, to rely on capital inflows including resources from the IMF and concessional assistance from other donors. The proposed economic assistance program, therefore, has been developed with the following objectives: provide balance-of-payment support in order to help address short and intermediate foreign exchange shortfalls; address key economic problems with the objective of enabling Pakistan to achieve self-sustaining growth and improved ability to manage its debt burden; and provide assistance compatible with IMF and International Bank for Reconstruction and Development programs.

The general areas of concentration for this assistance program are agricultural production, energy, population and health, tribal area development, and private sector mobilization. The greatest emphasis is on various aspects of support for continuing growth in Pakistan's key agricultural sector. In the current fiscal year, we would propose to spend approximately 80% of the \$100 million in this area, including programs for the import of fertilizer and agricultural equipment, irrigation system improvement, and rural electrification. We also propose to resume support in the areas of population and health, including the control of malaria. New departures in our overall strategy include programs to assist in Pakistan's development of indigenous energy resources and specifically targeted development activities in the less developed and politically sensitive regions of the Northwest Frontier Province and Baluchistan.

In that regard we plan to give special emphasis to reducing illicit narcotics cultivation in the Northwest Frontier Province by stimulating broader development opportunities. The Bureau for International Narcotic Matters of the State Department recently sent a team

of technical experts including a representative from the Agency for International Development to identify possible integrated area development projects that could maximize local employment opportunities. This is the key factor in the management of the opium production problem. A report is in final preparation which has identified the Malakand Agency as a possible site for this new undertaking. The Government of Pakistan shares our commitment to eliminating opium production, and has indicated full cooperation in this effort. The Bureau for International Narcotic Matters will also work to stimulate vigorous enforcement by the government in areas that are clearly accessible to the Pakistani law enforcement authorities.

A table outlining our proposed utilization of these funds in FY 1982 and the outyears can be found on page 5. You should of course understand that our projections for FY 1983 and beyond are at this point notional. They will be adjusted with experience and subject to

the close scrutiny of the Congress on an annual basis.

During my August 1981 consultations in Pakistan, I had the opportunity to meet with high government officials including President Zia-ul-Haq and Minister of Finance Ghulam Ishaq Khan as well as with Pakistani lawyers, businessmen, and educators. I visited Afghan refugee camps and talked to a number of farmers and artisans. I was struck by the interest evidenced in a renewed economic assistance relationship and by the frankness and responsiveness on the part of all Pakistanis. I believe this is a unique opportunity for this Administration to reshape its historic relationship with Pakistan. We must remember that the Pakistanis are a proud people, fiercely independent and determined to pursue their own course as an Islamic nation. I believe we must establish this relationship on the basis of equal partnership with the mutual interest in Pakistan's independence and continuing economic development.

We are all concerned in the economic stability of Pakistan in order to enable it to withstand the mounting threats in the region. The program which the Administration is proposing is vital to the security and political interests of the United States. This program is directly responsive to key economic constraints which face Pakistan today. We hope that the Congress will share the Administration's policies with respect to Pakistan and will support this new relationship by lifting the Symington amendment restrictions and funding the proposed FY 1982 economic support funds program.

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